Chapter 6: Educating Customers and Promoting the Value Proposition
Adding Value through Communication Content

- Information and consultation represent important ways to add value to a product

- Provide information to prospective customers
  - Service options available, cost, specific features, functions, service benefits

- Persuade target customers that service offers best solution to meet their needs and build relationship with them

- Help maintain relationships with existing customers
  - Requires comprehensive, up-to-date customer database and ability to make use of this in a personalized way
  - Direct mail and contacts by telephone, e-mail, websites, text messages
    - For example, doctors sending annual checkup reminders to patients
Wausau: “People@work” Program

Fig 6.1

- Wausau Insurance promotes innovative people@work program
- Targeted at employers
- Gets injured employees back to work faster, doing appropriate tasks
- Builds on expertise in preventing and managing workplace accidents

“Bottom Line, A Better Value”

Source: Courtesy of Wausau Insurance
Overcoming Problems of Intangibility

- May be difficult to communicate service benefits to customers, especially when intangible

- Intangibility creates four problems:
  - **Abstractness**
    - No one-to-one correspondence with physical objects
  - **Generality**
    - Items that comprise a class of objects, persons, or events
  - **Nonsearchability**
    - Cannot be searched or inspected before purchase
  - **Mental impalpability**
    - Customers find it hard to grasp benefits of complex, multidimensional new offerings
## Advertising Strategies for Overcoming Intangibility (Table 6.1)

<table>
<thead>
<tr>
<th>Intangibility problem</th>
<th>Advertising strategy</th>
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<tbody>
<tr>
<td><strong>Generality</strong></td>
<td></td>
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<tr>
<td>• objective claims</td>
<td>Document physical system capacity</td>
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<td></td>
<td>Cite past performance statistics</td>
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<tr>
<td>• subjective claims</td>
<td>Present actual service delivery incident</td>
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<tr>
<td><strong>Nonsearchability</strong></td>
<td>Present customer testimonials</td>
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<td>Cite independently audited performance</td>
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<td><strong>Abstractness</strong></td>
<td>Display typical customers benefiting</td>
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<tr>
<td><strong>Impalpability</strong></td>
<td>Documentary of step-by-step process,</td>
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<td></td>
<td>Case history of what firm did for customer</td>
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<tr>
<td></td>
<td>Narration of customer’s subjective experience</td>
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</table>

Source: Banwari Mittal and Julie Baker, “Advertising Strategies for Hospitality Services,” *Cornell Hotel and Restaurant Administration Quarterly* 43, April 2002, 53
Accenture Promotes Ability to Turn Innovative Ideas into Results (Fig 6.2)

- Ad dramatizes abstract notion of helping clients capitalize on innovative ideas in fast-moving world
- Features Tiger Woods in eye-catching situations
- Highlights firm’s ability to help clients “develop the reflexes of a high-performance business”
- Use tangible metaphors when possible!
- See Research Insights 6.1: Visualization and Comparative Advertising for Services

Source: Courtesy of Accenture
Using Metaphors to Communicate Value Propositions

- Tangible metaphors help to communicate benefits of service offerings, for example:
  - Allstate—“You’re in good hands”
  - Prudential Insurance—uses Rock of Gibraltar as symbol of corporate strength

- Metaphors communicate value propositions more dramatically and emphasize key points of difference

- Highlight how service benefits are actually provided

- Can you suggest some examples from recent advertising?
AT Kearney: Using Bear Traps as Metaphors for Problems (Fig 6.3)

- Emphasizes that firm includes all management levels in seeking solutions

- Ad shows bar traps across office floor
  - Headline: “What Did Your Consultants Leave Behind” raises doubts about services of other suppliers
  - Message: Avoid problems caused by consulting firms that work only with top management

- Draws attention to how AT Kearney differentiates its service through careful work with “entire team” at all levels in client organization, thus making recommendations easier to implement

Source: "What Did Your Consultants Leave Behind," Copyright A.T. Kearney. All rights reserved. Reprinted with permission
DHL: Promoting the Efficiency of Its Import Express Service (Fig 6.4)

- Use of an easily grasped metaphor
  - Heavily knotted string represents how complex importing can be
  - Straight string represents how easy it would be using DHL’s express service

Source: Courtesy DHL Express Singapore
Facilitate Customer Involvement in Production

- When customers are actively involved in service production, they need training to perform well
- Show service delivery in action
- Television and videos engage viewer
  - Dentists showing patients videos of surgical procedures before surgery
- Streaming videos on Web and podcasts are new channels to reach active customers
- Advertising and publicity can make customers aware of changes in service features and delivery systems in b2b and b2c contexts
  - Sales promotions to motivate customers
  - Offer incentives to make necessary changes
  - Price discounts to encourage self-service on an ongoing basis
Help Customers to Evaluate Service Offerings

- Customers may have difficulty distinguishing one firm from another
  - Provide tangible clues related to service performance

- Some performance attributes lend themselves better to advertising than others
  - Airlines
    - Boast about punctuality
    - Do not talk overtly in advertising about safety, admission that things might go wrong make prospective travelers nervous
    - Use indirect approach: promote pilot expertise, mechanic’s maintenance skills, newness of aircraft

- Firm’s expertise is hidden in low-contact services
  - Need to illustrate equipment, procedures, employee activities that take place backstage
Stimulate or Dampen Demand to Match Capacity

- Live service performances are time-specific and can’t be stored for resale at a later date
  - For example, seats for Friday evening’s performance; haircut at Supercuts on Tuesdays
  - Advertising and sales promotions can change timing of customer use

- Examples of demand management strategies
  - Reducing usage during peak demand periods
  - Stimulating demand during demand during off-peak period, for example:
    - Run promotions that offer extra value—room upgrades, free breakfast
Promote the Contributions of Service Personnel

- Frontline personnel are central to service delivery in high-contact services
  - Make the service more tangible and personalized
  - Advertise employees at work to help customers understand nature of service encounter

- Show customers work performed behind the scenes to ensure good delivery
  - To enhance trust, highlight expertise and commitment of employees whom customers normally do not normally encounter
  - Advertisements must be realistic
  - Messages help set customers’ expectations
  - Service personnel should be informed about the content of new advertising campaigns or brochures before launch
Checklist for Marketing Communications Planning: The “5 Ws” Model

- Who is our target audience?
- What do we need to communicate and achieve?
- How should we communicate this?
- Where should we communicate this?
- When do communications need to take place?
Target Audience: 3 Broad Categories

- **Prospects**
  - Employ traditional communication mix because prospects are not known in advance

- **Users**
  - More cost-effective channels

- **Employees**
  - Secondary audience for communication campaigns through public media
  - Risk generating cynicism among employees if communication in question promotes levels of performance that are seen as unrealistic
  - Communications may be directed specifically at employees as part of internal marketing campaign, not accessible to customers
Common Educational and Promotional Objectives in Service Settings (1) (Table 6.2)

- Create memorable images of specific companies and their brands
- Build awareness/interest for unfamiliar service/brand
- Build preference by:
  - Communicating brand strengths and benefits
  - Comparing service with competitors’ offerings and countering their claims
- Reposition service relative to competition
- Stimulate demand in off-peak, discourage during peak
- Friday, March 9: Bloodmobile on the concourse (accessed by Quad Drive)

- Friday, March 9: bloodmobile on Thach Ave by Foy Student Union

- Tuesday, March 12: Foy Student Union Ballroom.
Common Educational and Promotional Objectives in Service Settings (2) (Table 6.2)

- Encourage trial by offering promotional incentives
- Reduce uncertainty/perceived risk by providing useful info and advice
- Provide reassurance (e.g., promote service guarantees)
- Familiarize customers with service processes before use
- Teach customers how to use a service to best advantage
- Recognize and reward valued customers and employees
Key Planning Considerations

- Full understanding of service product and how well prospective buyers can evaluate its characteristics in advance

- Knowledge of target market segments
  - Exposure to different media
  - Awareness of products and attitudes

- Recognition of decisions to be made
  - Content, structure, and style of message
  - Manner of presentation
  - Most suitable media
  - Budget, time frames
  - Methods of measuring and evaluating performance
Marketing Communications Mix

- Numerous forms of communication
- Different forms have distinctive capabilities
  - Types of messages that can be conveyed
  - Market segments most likely to be exposed to them
- Two types of communication
  - Personal communications: personalized messages that move in both directions between two parties
  - Impersonal communications: messages move in only one direction
- Technology creates gray area between both
  - For example, combine word processing technology with information from database to create impression of personalization; interactive software; voice recognition technology
Marketing Communications Mix for Services (1) (Fig 6.5)

Key: * Denotes communications originating from outside the organization
Marketing Communications Mix for Services (2) (Fig 6.5)

Key: * Denotes communications originating from outside the organization
Sources of Messages Received by Target Audience (Fig 6.6)

Messages originating within organization:
- Front-line staff
- Service outlets

Production channels:
- Advertising
- Sales promotions
- Direct marketing
- Personal selling
- Public relations

Marketing channels:
- Word of mouth
- Media editorial

Messages originating outside organization

Messages Transmitted through Production Channels (1)

- Developed within organization and transmitted through production channels that deliver the service itself

- Customer service from front-line staff
  - Shape customer’s perceptions of service experience and the firm
  - Responsible for delivering supplementary services such as providing information, receiving payment, resolving problems, etc.
  - Firm may require customer service staff to cross-sell additional services
Messages Transmitted through Production Channels (2)

- **Customer training**
  - Familiarize customers with service product and teach them how to use it to their best advantage

- **Service outlets**
  - Planned and unintended messages reach customers through the medium of the service delivery environment itself
  - Servicescape: Physical design of service outlet
Messages through Marketing Channels: Personal Selling

- Interpersonal encounters educate customers and promote preferences for particular brand or product
  - Common in b2b and infrequently purchased services
  - For example, insurance, property

- Relationship marketing strategies based on account management programs
  - Customer assigned to a designated account manager
  - Ongoing need for advice, education, and consultation
  - For example, insurance, investment, medical services

- Face-to-face selling of new products is expensive—telemarketing is lower cost alternative
Messages through Marketing Channels: Trade Shows

- Popular in b2b marketplace
- Stimulate extensive media coverage
- Many prospective buyers come to shows
- Opportunity to learn about latest offerings from wide array of suppliers
  - Environment is very competitive
  - Compare and contrast
  - Question company reps
- Physical evidence displayed through exhibits, samples, demonstrations
Messages through Marketing Channels: Advertising

- Build awareness, inform, persuade, and remind

- Challenge: How does a firm stand out from the crowd?
  - Yankelovitch study shows 65% of people feel “constantly bombarded” by ad messages; 59% feel ads have little relevance
  - TV, radio broadcasts, newspapers, magazines, Internet, many physical facilities, transit vehicles—all cluttered with ads
  - Wide array of paid advertising media
  - Ads reinforced by direct marketing tools
  - Many e-tailers now using electronic recommendation agents (RI 6.2)

- Effectiveness remains controversial

- Research suggests that less than half of all ads generate a positive return on their investment
Messages through Marketing Channels: Direct Marketing (1)

- Mailings, recorded telephone messages, faxes, e-mail

- Potential to send personalized messages to highly targeted microsegments
  
  - Need detailed database of information about customers and prospects
Advance in on-demand technologies empower consumers to decide how and when they prefer to be reached, and by whom

- For example, e-mail spam filters, pop-up blockers, podcasting

Permission marketing: customers encouraged to “raise their hands” and agree to learn more about a company and its products in anticipation of receiving something of value

- Enables firms to build strong relationships with customers
- For example, people invited to register at a firm’s website and specify what type of information they like to receive via e-mail
Messages through Marketing Channels: Sales Promotion (1)

- Defined as “communication attached to an incentive”

- Should be specific to a time period, price, or customer group

- Motivates customers to use a specific service sooner, in greater volume with each purchase, or more frequently

- Provides a “competitive edge” during periods when demand would be weak
Messages through Marketing Channels: Sales Promotion (2)

- Speeds up introduction and acceptance of new services

- Interesting sales promotions can generate attention and put firm in favorable light (especially if interesting results publicized)
  
  - For example, SAS International Hotels—if a hotel had vacant rooms, guests older 65 years old could get a discount equivalent to their years
  
  - When a guest announced his age as 102 and asked to be paid 2% of the room rate in return for staying the night, he received it—and got a game of tennis with the general manager!
PR/publicity involves efforts to stimulate positive interest in an organization and its products through third parties

- For example, press conferences, news releases, sponsorships

Corporate PR specialists teach senior managers how to present themselves well at public events, especially when faced with hostile questioning

Unusual activities can present an opportunity to promote company’s expertise

- For example, FedEx safely transported two giant pandas from Chengdu, China, to the National Zoo in Washington, D.C. in a FedEx aircraft renamed FedEx PandaOne
Messages Originating from Outside the Organization (1)

- **Word of Mouth (WOM)**
  - Recommendations from other customers viewed as more credible
  - Strategies to stimulate positive WOM
    - Referencing other purchasers and knowledgeable individuals
    - Creating exciting promotions that get people talking about firm’s great service
    - Developing referral incentive schemes
    - Offering promotions that encourage customers to persuade others to join them in using the service
    - Presenting and publicizing testimonials that stimulate WOM

- **Pass along e-mails—consumers’ motivation, attitudes, and behaviors** (Research Insights 6.2)
Messages Originating from Outside the Organization (2)

- Blogs—a new type of online WOM

- Editorial coverage
  - Compares, contrasts service offerings from competing organizations
  - Advice on “best buys”
Ethical Issues in Communication

- Advertising, selling, and sales promotion all lend themselves easily to misuse
- Poor internal communications between operations and marketing personnel concerning level of service performance
- Deliberately exaggerated promises to secure sales
- Deceptive promotions
- Unwanted intrusion by aggressive marketers into people’s personal lives
Strategies for Corporate Design (1)

- Many service firms employ a unified and distinctive visual appearance for all tangible elements
  - For example, logos, uniforms, physical facilities

- Provide a recognizable theme linking all the firm’s operations in a branded service experience through strategic use of physical evidence
  - e.g., BP’s bright green and yellow service stations

- Use of trademarked symbol as primary logo, with name secondary
  - Shell’s yellow scallop shell on a red background
  - MacDonald’s “Golden Arches”
Strategies for Corporate Design (2)

- International companies need to select designs carefully to avoid conveying a culturally inappropriate message.

- Easily recognizable corporate symbols important for international marketers in markets where:
  - Local language is not written in Roman script
  - Significant proportion of population is illiterate
FedEx: Use of Company Name In Corporate Design (1)

- Changed trade name from Federal Express to FedEx
- Distinctive logo featuring new name
- Chose FedEx Ground when decided to rebrand the RPS ground delivery service it had purchased some years earlier
  - Transfer positive image of its air services to less expensive small-package ground service
FedEx: Use of Company Name In Corporate Design (2)

- Created “FedEx family of companies” consisting of subbrands for different services
  - FedEx Express
  - FedEx Ground
  - FedEx Home Delivery
  - FedEx Freight
  - FedEx Custom Critical
  - FedEx Supply Chain Services
  - FedEx Kinko’s

- Each subbrand has different color scheme for second word to create differentiation for subbrands
  - Express is red/orange
  - Ground is green
Marketing Communications and the Internet

- Can be accessed from almost anywhere in the world
- Simplest form of international market entry available

“The firm cannot avoid creating interest in its offerings outside its local or national market”

Christian Grönroos
Internet Marketing Offers Powerful Opportunities for Interactivity (1)

- Internet used for a variety of communications tasks
  - Promoting consumer awareness
  - Providing information and consultation
  - Facilitating two-way communications
  - Enabling customers to place orders

- Can market through firm’s own websites or advertise on other sites
  - Supplement conventional communications channels at reasonable cost
Internet Marketing Offers Powerful Opportunities for Interactivity (2)

- Must be part of integrated, well-designed communications strategy

- Able to establish rapport with individual customers
  - Interactive nature of the Internet can increase customer involvement
  - Facilitates permission marketing and “self-service” marketing
    - Banks allow customers to pay bills electronically, apply for loans over the Internet, and check account balances online
Website Design Considerations (1)

- Contain useful, interesting information for target customers

- Facilitate self-service in information gathering

- Users expect
  - Fast access
  - Easy navigation
  - Relevant and up to date content
Website Design Considerations (2)

- Firms must set explicit communication goals for websites.

- Design should address attributes that affect website "stickiness"
  - Content quality
  - Ease of use
  - Speed of download
  - Frequency of update

- Memorable web address helps attract visitors to a site
  - Ensure that people are aware of/can guess firm’s web address
EasyJet Paints Its Website Address on Each of Its More than 200 Aircraft

Source: www.easyjet.com/EN/About/photogallery.html. © easyJet airline company limited
Effective Advertising on Internet: Banner Advertising (1)

- Placing advertising banners and buttons on portals such as Yahoo!, Netscape and other firms’ websites

- Draw online traffic to the advertiser’s own site

- Websites often include advertisements of other related, but noncompeting services

  - Advertisements for financial service providers on Yahoo!’s stock quotes page
  - Small messages from Amazon.com on web pages devoted to a specific topic
  - Links relevant to e-mail content on GMail
Effective Advertising on Internet: Banner Advertising (2)

- Easy for advertisers to measure how many visits to its own website are generated by click-throughs

- Limitations

  - Obtaining many exposures ("eyeballs") to a banner does not necessarily lead to increase in awareness, preference, or sales
  - Problem of fraudulent click-throughs designed to boost apparent effectiveness
Effective Advertising on Internet: Search Engine Advertising (1)

- Reverse broadcast network—search engines let advertisers know exactly what consumer wants through their keyword search

- Can target relevant messages directly to desired consumers

- Several advertising options
  - Pay for targeted placement of ads to relevant keyword searches
  - Sponsor a short text message with a click-through link
  - Buy top rankings in the display of search results
Google - The New Online Marketing Powerhouse

- Google AdWords—allows businesses to connect with potential customers at the precise moment when they are looking at related topics; advertisers can display their ads at websites that are part of the Google content network
- Google AdSense—in return for displaying relevant Google ads on their websites, publishers receive a share of advertising revenue generated

See Service Perspectives 6.2: Google the New Online Marketing Powerhouse
Developing an Integrated Marketing Communications Strategy

- Isolating online marketing activities from other marketing activities may result in conflicting message
  - Customers will not have a clear picture of a firm’s positioning and value proposition

- IMC ties together and reinforces all communications to deliver a strong brand identity

- Communications in different media should form part of a single, overall message about the service firm (need consistency within campaigns about specific service products targeted at specific segments)